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A review of developments in Intellectual Property Law

## Prior Art Redefined Under the AIA

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The America Invents Act's ("AIA's") overhaul of the U.S. Patent law system has significantly redefined what constitutes available prior art that can be used to reject patent applications or invalidate patents.<sup>1</sup> Thanks to the AIA changes which took effect on March 16, 2013,<sup>2</sup> the AIA has both expanded as well as contracted the universe of available prior art. As pre-AIA patents and patent applications



will continue to exist at least until March 15, 2034, not counting patent term extensions or adjustments, practitioners must continue to grapple with both pre-AIA as well as AIA rules, particularly with respect to AIA patent applications claiming priority to pre-AIA applications. Currently, there are no court decisions interpreting AIA 35 U.S.C. § 102.

In this article, we will discuss how the AIA expanded the definition of prior art, describe

the AIA § 102 prior art exceptions, and suggest strategies that practitioners can consider in dealing with prior art and transitional applications.<sup>3</sup>

### 1. AIA both expands and contracts the definition of prior art

Under the AIA, the new definition of prior art is broader in some respects and narrower in others. Practitioners will be operating under multiple versions of 35 U.S.C. § 102 at least until March 15, 2034. Understanding the differences between pre-AIA and AIA law, and when each applies, is critical to effectively managing the application of prior art.

#### A. AIA §§ 102(a)(1) and (2) prior art

The pre-AIA patent law included seven separate conditions for patentability under 35 U.S.C. §§ 102(a)-(g). Under AIA §§ 102(a)(1) and (2), these seven conditions have been replaced by two conditions, along with exceptions to each, that dramatically increase the scope of what constitutes prior art.

Under AIA § 102(a)(1), the prior art includes not only prior publications, but any public disclosure, something in public use, on sale, or otherwise available to the public anywhere in the world in any language prior to the effective filing date of the claimed invention.<sup>4</sup> The phrase "otherwise available to the public" as used in AIA § 102(a)(1) is a broad "catch-all" provision that expands the definition of prior art beyond the prior use, sale, and publication of the claimed invention.<sup>5</sup> Thus, public availability of the subject matter may arise in situations such as a video posted on the internet, a lecture, an oral presentation delivered at a scientific meeting, or even a public transaction that is not a sale.<sup>6</sup>

Prior art under AIA § 102(a)(2) is limited to U.S. patents, published U.S. patent applications, and published Patent Cooperation Treaty ("PCT") applications designating the United States, which become available as prior art as of the date that they were "effectively filed."<sup>7</sup> Additionally, according to AIA § 102(d), U.S. patents, published U.S. patent applications, and

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published PCT applications are “effectively filed” as of a foreign priority date, even if the foreign priority application was in a foreign language.<sup>9</sup> Accordingly, AIA § 102(d) has abolished the well-established “Hilmer doctrine,” expanding the scope of prior art that can be applied to applications.<sup>9</sup>

The AIA distinguishes between the terms “Effective Filing Date” (“Entitled to Priority”) and “Effectively Filed” (“Entitled to Claim Priority”) as they appear in AIA §§ 102(a)(1) and (2).<sup>10</sup> “Effective filing date” applies on a claim by claim basis to the claimed invention, and is defined as “the actual filing date of the patent or the application for the patent containing a claim to the invention” or “the filing date of the earliest application for which the patent or application is entitled, as to such invention, to a right of [foreign] priority under section 119, 365 (a), or 365 (b) or to the [domestic] benefit of an earlier filing date under section 120, 121, or 365 (c).”<sup>11</sup> Entitlement to foreign priority or domestic benefit requires that the earlier application: (1) be codependent and specifically referenced; and, (2) provide both written description and enablement support for the claimed invention.<sup>12</sup>

“Effectively filed” applies when a U.S. patent, a U.S. patent application publication, or a published PCT application designating the United States, whether or not that PCT application ever enters into the U.S. national stage, is being considered as prior art against a claimed invention.<sup>13</sup> The effectively filed date can be the actual filing date of the patent or patent application or the filing date of the earliest prior filed domestic or foreign application for which the application or patent is entitled to a priority or benefit claim.<sup>14</sup> The entitlement to *claim* priority or benefit of a prior filed application only requires satisfying the ministerial requirements that an application be codependent and specifically referenced.<sup>15</sup>

Thus, under AIA § 102(a)(2), certain patent disclosures may be prior art as of an earlier foreign “effectively filed” date even though they are not published until well after the “effective filing date” of the claimed invention. For instance, if a PCT application was filed on December 12, 2013, and properly claims priority to a German patent application filed on December 12, 2012, the published PCT application has a prior art

date as of its effectively filed date of December 12, 2012. Therefore, the PCT application may be applied as prior art as of December 12, 2012, regardless of whether the German patent application enables the disclosure of the PCT application and is in a foreign language.<sup>16</sup>

Although still complex, the AIA rules are much simpler than the pre-AIA rules in the sense that geographical and language restrictions are now eliminated. The AIA rules eliminate certain types of prior art such as secret use, sales, and offers for sale, but

**Understanding the differences between pre-AIA and AIA law, and when each applies, is critical to effectively managing the application of prior art.**

they greatly expand others. Furthermore, an applicant can no longer remove prior art by claiming that the applicant invented first. All “prior art” is now measured from the effective filing date of the claimed invention.

### **B. Secret use and sales activity are not prior art?**

The AIA goes a long way towards eliminating “secret prior art” by requiring that certain disclosures must be publically available to qualify as prior art. Under the AIA provisions, a prior public use or sale activity may occur anywhere in the world and qualify as prior art under AIA §102(a)(1). If such public use or sale activity were by the inventor, either directly or indirectly, and not more than one year before the effective filing date of the claimed invention, then the public use or sale activity would fall into a prior art exception under AIA § 102(b)(1)(A), as discussed below.<sup>17</sup>

Secret use of a process not coupled to public use of a product resulting from the process would not constitute prior art under the AIA because of the public accessibility requirement. However, what if secret use of a

process is coupled to public use of the product? In a pre-AIA case, the U.S. Court of Appeals for the Second Circuit in *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*<sup>18</sup> found that a patent on a process was invalid because, although the process was kept secret by the inventor, the product of the process had been in commercial use for more than a year before the patent application was filed.<sup>19</sup> Under AIA law, just like under pre-AIA law, this scenario could constitute public use for public policy reasons.<sup>20</sup> However, the Federal Circuit later held in *W.L. Gore & Associates, Inc. v. Garlock, Inc.*<sup>21</sup> that a process kept secret by one inventor will not constitute prior art as to another inventor who subsequently and independently makes the inventive process.<sup>22</sup> Whether *Gore* remains applicable under AIA law remains unknown.

With respect to “on sale” commercial activities, if a sale activity does not reveal or disclose the claimed invention to the public, the sale activity does not qualify as prior art under AIA § 102(a)(1). To qualify as prior art, the sale activity must make the claimed invention publically accessible.<sup>23</sup> Therefore, unlike pre-AIA § 102(b), AIA § 102(a)(1) does not make secret sale activity prior art.<sup>24</sup>

“Experimental use” is an important exception to excuse prior offers for sale when made for experimental reasons to further an invention.<sup>25</sup> The status of the experimental use exception for public use under the AIA has not yet been determined. Neither the AIA nor its legislative history address whether the experimental use exception applies to a public use under AIA §102(a)(1).<sup>26</sup> The Patent Office also declined to address this issue, stating “[b]ecause this doctrine arises infrequently before the Office, and is case-specific when it does arise, the Office will approach this issue when it arises on the facts presented.”<sup>27</sup>

At the present time, there are no judicial interpretations of prior use and sales activity under the AIA § 102(a). Accordingly, the Patent Office’s interpretation of the AIA with respect to secret sales and commercial uses should be treated with caution until the courts weigh in on these activities.<sup>28</sup>

### **C. Effective filing date and the applicable prior art law**

It is important to assess the effective filing date for *each claim* in an application to determine

which law, e.g., pre-AIA § 102, AIA § 102, or both, will apply, and to define the window of prior art for both novelty and non-obviousness purposes. Depending on its effective filing date, an application will fall under one of three possible categories:

(a) all pre-AIA claims having an effective filing date before March 16, 2013; (b) all AIA claims having an effective filing date on or after March 16, 2013; or (c) claims that have mixed effective filing dates of before and on or after March 16, 2013. For at least the next twenty years, applicants, patent examiners, attorneys, and courts will need to deal with both laws and with these three categories of patents or applications.

While the first and second categories are straightforward, there are unique complexities that will arise within the third category of applications, commonly referred to as “transitional” applications. Transitional applications that include “mixed” effective filing dates will fall under AIA § 3(n)(1) and § 3(n)(2).<sup>29</sup>

AIA § 3(n)(2)(a) states that the provisions of new AIA § 102 apply and the provisions of pre-AIA “sections 102(g), 135, and 291 of title 35 . . . shall apply to each claim of an application for patent . . . if such application . . . **contained at any time** a claim to an invention having an effective filing date” that occurred before March 16, 2013.<sup>30</sup> Thus, such applications will not only be examined under AIA law and subject to AIA prior art, they will also be subject to pre-AIA § 102(g) prior art and interferences. In other words, in addition to being subject to the new AIA § 102 prior art, transitional applications can be invalidated because of prior invention by another in the U.S., or become subject to an interference proceeding to determine who was the first to invent. Fortunately, an applicant will have the option of swearing behind or showing prior invention when faced with certain pre-AIA § 102(g) secret prior art.

Once a transitional application falls under AIA § 102, it will always remain under AIA § 102, even if claims with an effective filing date on or after March 16, 2013 are subsequently cancelled.<sup>31</sup> Moreover, any progeny of a prior application subject to AIA § 102 will also be examined under AIA § 102.

The process of sorting out whether the AIA or pre-AIA law applies to any particular patent application may be a thorny one. As the Patent Office put it, “care must be taken to accurately

determine whether AIA or pre-AIA 35 U.S.C. 102 and 103 applies to the application.”<sup>32</sup>

## 2. AIA §§ 102(b)(1) and (2) Prior Art Exceptions

For AIA applications, an applicant cannot swear behind a reference. However, it is possible for applicants under certain limited circumstances to disqualify prior art under AIA §§ 102(b)(1) and (2).

Prior art under AIA § 102(a)(1), e.g., a publication, public use, or offer for sale, is subject to a “grace period” exception under § 102(b)(1) where disclosures made by an inventor or co-inventor (directly or indirectly) less than one year before the effective filing date can be removed as prior art. The grace period applies if the disclosures are made by an inventor or co-inventor or someone who obtained the information from the inventor, or if the disclosed subject matter was previously disclosed publicly by an inventor or someone who obtained it from the inventor.<sup>33</sup>

Both AIA § 102(a)(1) and § 102(b)(1) operate together to retain the principle of a one-year statutory time bar. Thus, if there is a public disclosure more than one year before the effective filing date of the claimed invention (i.e., before the grace period), the disclosure is prior art under § 102(a)(1) and none of the exceptions in AIA § 102(b) apply, regardless of whether the disclosure is the inventor’s own work.<sup>34</sup>

Under AIA § 102(b)(1)(B), subject matter that was disclosed by another after the subject matter had been publically disclosed by the inventor, a joint inventor, or another who obtained the subject matter directly or indirectly from the inventor or joint inventor can be disqualified as prior art.<sup>35</sup> In other words, the subject matter disclosed in the intervening disclosure had, before such intervening disclosure was made, been publically disclosed by the inventor directly or indirectly. Any subject matter of the intervening disclosure that was not previously publically disclosed by the inventor is still available as prior art under AIA § 102(a)(1).<sup>36</sup>

Similarly, a disclosure under AIA § 102(a)(2), e.g., U.S. Patents, published U.S. patent applications, and published WIPO publications, can be disqualified as prior art under AIA § 102(b)(2) if the disclosure is made one year or less before the effective filing date of the claimed invention. The AIA § 102(b)

(2)(A) prior art exception, referred to as the “inventor-originated disclosure” exception, “limits the use of an inventor’s own work as prior art when the inventor’s own work is disclosed in a U.S. patent, U.S. patent application publication or a WIPO published application by another who obtained the subject matter directly or indirectly from the inventor or joint inventor.”<sup>37</sup>

The prior art exception under AIA § 102(b)(2)(B), referred to as the “inventor-originated prior public disclosure” exception, provides an additional exception to AIA § 102(a)(2) prior art. Subject matter that was effectively filed by another after the subject matter had been publically disclosed by the inventor, a joint inventor, or another who obtained the subject matter directly or indirectly from the inventor or joint inventor can be disqualified as prior art.<sup>38</sup> In other words, the subject matter disclosed in the intervening disclosure had, before such intervening disclosure was effectively filed, been publically disclosed by the inventor or joint inventor.<sup>39</sup> However, any subject matter of the intervening disclosure that was not previously publically disclosed by the inventor is still available as prior art under AIA § 102(a)(2).

Finally, the “common ownership or obligation of assignment” exception under AIA § 102(b)(2)(C) provides an additional exception to AIA § 102(a)(2) to disqualify prior art. For this exception, subject matter that was disclosed in a U.S. patent, U.S. patent application publication, or WIPO published application is not prior art if the subject matter disclosed and the claimed invention “were owned by the same person or subject to an obligation of assignment to the same person” not later than the effective filing date of the claimed invention.<sup>40</sup> AIA § 102(b)(2)(C) resembles pre-AIA § 103(c) in that both provide common ownership avenues to avoid certain prior art.

Although the AIA § 102(b)(2)(C) exception disqualifies U.S. patents, U.S. patent application publications, or WIPO published applications as prior art under AIA § 102(a)(2), it does not remove them as a basis for any other rejection. For example, even if the reference is not prior art under AIA § 102 or AIA § 103, the reference can still be applied in the context of a statutory (§ 101) or obviousness-type double patenting rejection or an enablement rejection under § 112(a).<sup>41</sup> In addition, the AIA

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§ 102(b)(2)(C) exception will not disqualify a reference that is prior art under AIA § 102(a)(1) (disclosures made prior to the effective filing date of the claimed invention), regardless of whether common ownership exists or there was an obligation to assign the reference.<sup>42</sup>

Another important exception to the prior art definition under the AIA is common ownership under joint research agreements (“JRAs”) under AIA § 102(c).<sup>43</sup> AIA § 102(c) is similar to pre-AIA § 103(c) but, to the applicant’s advantage, it broadens the scope of prior art that can be disqualified under pre-AIA § 103(c). Under pre-AIA law, § 103(c) disqualifies subject matter that is prior art under §§ 102(e), (f), or (g) from being used in an obviousness rejection where the subject matter and the claimed invention were, at the time the invention was made, commonly owned or under a JRA. AIA §§ 102(b)(2)(C) and 102(c) expand pre-AIA § 103(c) such that the applicant need only demonstrate that (1) common ownership or a JRA was in place as of the effective filing date of the application (instead of as of the time the invention was made), and (2) references used for both novelty and obviousness rejections can be disqualified (instead of only references used for obviousness rejections).<sup>44</sup> AIA § 102(c) may allow inventors to proactively deal with potential AIA § 102(a)(2) or AIA §§ 102(a)(2)/103 rejections with a JRA.

### 3. AIA § 103

While AIA § 103 continues to govern the nonobviousness requirement for patentability, there are some changes from pre-AIA § 103.<sup>45</sup> Notably, AIA § 103 determines obviousness as of the effective filing date of the claimed invention, instead of at the time that the claimed invention was made.<sup>46</sup> Under pre-AIA examination practice, the effective filing date is treated as the invention date, unless there is evidence demonstrating an earlier invention date, which would change the scope of prior art that could be cited against the invention.<sup>47</sup>

Further, AIA § 103 eliminates pre-AIA § 103(b), which is a rarely used exception that is specifically invoked by applicants under certain limited circumstances and applies only to nonobviousness of biotechnological inventions.<sup>48</sup> AIA § 103 also eliminates pre-AIA § 103(c), but corresponding provisions are found in AIA § 102(b)(2)(C) and § 102(c), as discussed above.

Generally, the pre-AIA obviousness concepts will continue to apply under AIA. AIA § 102(a) defines prior art for the purposes of novelty under AIA § 102 and obviousness under AIA § 103.<sup>49</sup> Thus, if a document is prior art under §§ 102(a)(1) or (a)(2), and is not subject to an AIA § 102(b) exception, it may be applied in supporting a rejection under AIA § 103.<sup>50</sup>

### 4. Using the AIA to solve certain prior art problems in transitional applications

Because of the expanded scope of available prior art to determine patentability under the AIA as well as uncertainty of how the courts will treat AIA § 102, there is a logical preference for dealing with pre-AIA law. To ensure that a transitional application is treated under the pre-AIA law, the application should include only claims that are fully supported by the prior transitional application or pre-AIA application. To protect additional subject matter, a separate continuation-in-part or new application can be filed instead. This will ensure that the transitional application and further continuation applications claiming priority to the transitional application will be treated under pre-AIA law.

When filing and prosecuting transitional applications, an applicant may consider filing the original transitional application followed by a preliminary amendment at least one day after filing the transitional application. If new claims submitted after the filing date of the transitional application are deemed to be unsupported by the priority application, the application is not converted to AIA provisions, but will instead be rejected as introducing new matter under 35 U.S.C. § 132.<sup>51</sup> Thus, filing a preliminary amendment at least one day after filing of the transitional application may shield applicants from arguments that the new claims are not supported by the pre-AIA priority application and should be subject to AIA law.

For instance, U.S. continuation or divisional applications are sometimes filed together with a preliminary amendment to present a different claim set than was originally presented in the parent application. The Office has stated that if claims are present in a transitional application on the same day as the filing of the application and are not supported by pre-March 16, 2013 disclosure to which

priority is claimed, the transitional application and any subsequent application claiming priority to the transitional application will be subject to AIA provisions.<sup>52</sup>

In general, applicants may seek ways to avoid having transitional applications examined under the AIA. However, in certain circumstances, strategically subjecting an application to examination under the AIA may help the applicant obtain patent claims that are otherwise unpatentable under pre-AIA laws.<sup>53</sup> For instance, secret use, sales or offers for sale are not prior art under AIA law, contrary to pre-AIA law.<sup>54</sup> Similarly, the AIA expansion of the scope of the Cooperative Research and Technology Enhancement Act of 2004 (“the CREATE Act”) eliminates the use of non-public prior filings of a research partner from being used as potential anticipatory prior art.<sup>55</sup> Thus, if a reference is prior art under pre-AIA law, but not prior art under AIA law, it may be possible to refile an application being treated under pre-AIA law as a new application under the AIA, without claiming priority to the earlier application and without abandoning the earlier application. Alternatively, the applicant may create a continuation-in-part of the application being treated under pre-AIA and file the new continuation-in-part application including at least one claim directed to the newly added subject matter under the AIA.

While these strategies may result in eliminating a reference as prior art, the new application may be subject to some potential risks. For instance, the application may be exposed to new prior art references as a result of the later effective filing date. In addition, the new application may be subject to double patenting issues which have not yet been clarified under the AIA.<sup>56</sup> Furthermore, if the new application is a continuation-in-part of a pre-AIA application, pre-AIA § 102(g) prior art will still apply.<sup>57</sup> Finally, there may be some equitable risks to the applicant whereby an accused infringer could raise inequitable conduct or laches defenses based on an assertion that the new matter and claims were added as a formality so that the old claims can be interpreted under the more favorable AIA law.<sup>58</sup>

### Conclusion

The sweeping changes resulting from the AIA overhaul of the U.S. patent law system significantly alter what is available prior art that can be used to invalidate patents or reject



applications. Under the AIA, prior art no longer includes geographic and language restrictions. Furthermore, prior art applies against claims in AIA patents and patent applications as of the effective filing date of the claimed invention, not the date of invention. Patent practitioners will need to consider both pre-AIA and AIA law in their practice at least until March 15, 2034 in order to properly counsel their clients.

## Endnotes

- 1 See 35 U.S.C. § 102 et seq. (2012).
- 2 See Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 3(n)(1) 125 Stat. 284 (2011) (codified as amended in 35 U.S.C.) [hereinafter "AIA"].
- 3 See § 102(a)(1) ("A person shall be entitled to a patent unless the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.")
- 4 See *id.*
- 5 Examination Guidelines for Implementing the First Inventor to File Provisions of the Leahy-Smith America Invents Act, 78 Fed. Reg. 11,059, 11,075 (Feb. 14, 2013) (to be codified at 37 C.F.R. pt. 1) [hereinafter "FITF Guidelines"].
- 6 See USPTO, FIRST INVENTOR TO FILE (FITF) COMPREHENSIVE TRAINING: PRIOR ART UNDER THE AIA, at 15 (2013), available at <http://www.uspto.gov/patents/law/exam/examguide.jsp> [hereinafter "USPTO FITF Training Slides"]; see also FITF Guidelines at 11,075.
- 7 See § 102(a)(2) ("A person shall be entitled to a patent unless the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122 (b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.")
- 8 *Id.* at § 102(a)(2).
- 9 The "Hilmer Doctrine" refers to the situation in which the foreign priority date of a U.S. patent could not be used as a prior art date under § 102(e). See *In re Hilmer*, 359 F.2d 859, 879 (C.C.P.A. 1966).
- 10 157 Cong. Rec. S1370 (daily ed. March 8, 2011) (statement of Rep. Levin) ("In effect, an application that meets the ministerial requirements of copendency and specific reference is entitled to claim the benefit or priority, but only an application that also offers an enabling disclosure is actually entitled to the benefit or priority itself.") [hereinafter "AIA Legislative History"].
- 11 35 U.S.C. § 100(i); see also 35 U.S.C. § 100(j) (noting that the term "claimed invention" as used in section (i) means "the subject matter defined by a claim in a patent or an application for a patent").
- 12 See AIA Legislative History at S1370; see also USPTO FITF Training Slides at 5.
- 13 35 U.S.C. § 102(a)(2).
- 14 See *id.* § 102(d) ("For purposes of determining whether a patent or application for patent is prior art to a claimed invention under subsection (a)(2), such patent or application shall be considered to have been effectively filed, with respect to any subject matter described in the patent or application (1) if paragraph (2) does not apply, as of the actual filing date of the patent or the application for patent; or (2) if the patent or application for patent is entitled to claim a right of priority under section 119, 365(a), or 365(b), or to claim the benefit of an earlier filing date under section 120, 121, or 365(c), based upon 1 or more prior filed applications for patent, as of the filing date of the earliest such application that describes the subject matter.")
- 15 See AIA Legislative History at S1370.
- 16 See MPEP § 2154.01(b) ("[T]he question of whether a patent or published application is actually entitled to priority or benefit with respect to any of its claims is not at issue in determining the date the patent or published application was 'effectively filed' for prior art purposes.")
- 17 See § 102(b)(1)(A). Under AIA § 102(a)(1), public use or sale does not need to be enabled to qualify as prior art, the same as under pre-AIA case law. See FITF Guidelines at 11,075. The enablement inquiry is applicable to whether a claimed invention is described in a printed publication, but is irrelevant to whether a claimed invention is considered "in public use" or "on sale." *Id.* at 11,063. According to the Office's interpretation, the AIA does not alter this enablement principle of pre-AIA case law. *Id.*
- 18 153 F.2d 516 (2d. Cir. 1946).
- 19 *Id.* at 516, 520; see also *Kinzenbaw v. Deere & Co.*, 741 F.2d 383, 390 (Fed. Cir. 1984) ("A commercial use is a public use even if it is kept secret.")
- 20 See Eric A. Kelly, Recent Development, *Is the Prototypical Small Inventor at Risk of Inadvertently Eliminating Their Traditional One-Year Grace Period Under the America Invents Act?—Interpreting "Or Otherwise Available to the Public" Per New § 102(A) and "Disclosure" Per New § 102(B)*, 21 Tex. INTELL. PROP. L.J. 373, 401-03 (2013) (for a review of secret use prior art case law).
- 21 721 F.2d 1540 (Fed. Cir. 1983).
- 22 See *id.* The Court explained, "[a]s between a prior inventor who benefits from a process by selling its product but suppresses, conceals, or otherwise keeps the process from the public, and a later inventor who promptly files a patent application from which the public will gain a disclosure of the process, the law favors the latter." *Id.*
- 23 FITF Guidelines at 11,075.
- 24 *Id.* For a sale activity to be considered secret, there must be an obligation of confidentiality to the inventor among the individuals involved in commercial activity such as a sale or offer for sale. *Id.*
- 25 See *Allen Eng'g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1354 (Fed. Cir. 2002).
- 26 FITF Guidelines at 11,063.
- 27 *Id.*
- 28 See *id.* at 11,059 (cautioning that "[t]hese examination guidelines do not constitute substantive rulemaking and do not have the force and effect of law.")
- 29 AIA §§ 3(n)(1)-(2); see also the "Notes" of 35 U.S.C. § 100.
- 30 AIA § 3(n)(2)(a) (emphasis added).
- 31 FITF Guidelines at 11,083.

- 32 *Id.* at 11,084.
- 33 35 U.S.C. § 102(b)(1)(A).
- 34 FITF Guidelines at 11,067. The grace period exists by operation of AIA § 102(b)(1) and applies to any form of disclosure including publication, public sale, and public use. No action is required to be entitled to the grace period of AIA § 102(b)(1) but the applicant may need to provide evidence or information to show that a grace period disclosure falls within an exception in AIA § 102(b)(1) for such a disclosure to be eliminated as prior art. *Id.* at 11,068. Furthermore, there is no requirement that the grace period disclosure be enabling. *Id.*
- 35 *Id.* at 11,067.
- 36 See USPTO FITF Training Slides at 39.
- 37 See FITF Guidelines at 11,078; see also MPEP § 706.02(a)(1).
- 38 FITF Guidelines at 11,078.
- 39 *Id.* at 11,079; see also USPTO FITF Training Slides at 61-62.
- 40 35 U.S.C. § 102(b)(2)(C); see also FITF Guidelines at 11,079.
- 41 FITF Guidelines at 11,080.
- 42 *Id.*
- 43 AIA § 102(c) specifically provides that subject matter disclosed and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person in applying the provisions of AIA § 102(b)(2)(C) if: (1) the subject matter disclosed was developed and the claimed invention was made by, or on behalf of, one or more parties to a joint research agreement that was in effect on or before the effective filing date of the claimed invention; (2) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and (3) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement. 35 U.S.C. § 102(c).
- 44 FITF Guidelines at 11,082-83.
- 45 FITF Guidelines at 11,082.
- 46 *Id.*
- 47 *Id.*
- 48 *Id.*
- 49 FITF Guidelines at 11,083.
- 50 *Id.*
- 51 *Id.*
- 52 *Id.*
- 53 See Dennis Crouch, *Should You Transform Your Pre-AIA Application to an AIA Application?* PATENTLY.COM (Nov. 14, 2013), <http://patently.com/patent/2013/11/should-you-transform-your-pre-ai-a-application-to-an-ai-a-application.html>.
- 54 See *Hamilton Beach Brands, Inc. v. Sunbeam Products, Inc.*, 726 F.3d 1370, 1376-77 (Fed. Cir. 2013) (invalidating a patent under pre-AIA § 102(b)'s on-sale bar, finding that a foreign supplier's e-mail response to Hamilton Beach's purchase order constituted a commercial offer for sale prior to the critical date).
- 55 FITF Guidelines at 11,072.
- 56 *Id.* at 11,080.
- 57 *Id.* at 11,084.
- 58 See Crouch, *supra* note 53.

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# MBHB Highly Ranked within 2015 Edition of *U.S. News-Best Lawyers "Best Law Firms"*

McDonnell Boehnen Hulbert & Berghoff LLP ("MBHB") is highly ranked in key intellectual property-related practice areas within the 2015 edition of *U.S. News-Best Lawyers "Best Law Firms"* at the national and metropolitan levels. Overall rankings are based on a rigorous evaluation process that includes the collection of client and lawyer evaluations, peer review from leading attorneys in their relevant practice area(s), and a review of additional information provided by law firms as part of the formal submission process. Firms included in the 2015 *"Best Law Firms"* edition are recognized for professional excellence with persistently impressive ratings from clients and peers. Achieving a ranking signals a unique combination of quality law practice and breadth of legal expertise. Rankings are presented both

nationally and by metropolitan area or by state. MBHB is favorably ranked in the 2015 edition as follows:

## National Level

- Biotechnology Law
- Litigation – Intellectual Property
- Litigation – Patent
- Patent Law
- Trademark Law

## Chicago-Metro Level

- Biotechnology Law
- Litigation – Intellectual Property
- Litigation – Patent
- Patent Law
- Trademark Law

# PTAB Holds a Firm Line on Additional Discovery

By Alison J. Baldwin and Lisa M. Schoedel

When Congress created the *Inter Partes* Review (“IPR”) and Covered Business Method (“CBM”) review procedures for challenging the validity of an issued patent, it was intended for these processes to be quicker and more cost-effective than challenging patent validity in the district court system.<sup>1</sup> One of the mechanisms Congress utilized for achieving these objectives was limiting the types of discovery allowed as part of the IPR and CBM processes. This was a lofty goal and pundits questioned whether this restricted scope of discovery could be maintained in practice. With the passage of two years under the IPR and CBM systems, a noticeable trend has emerged regarding how the Patent Trial and Appeal Board (“the Board”) is accomplishing these Congressional objectives through its decisions on motions for additional discovery. Unfailingly, the Board acts as a strict gatekeeper when evaluating these discovery requests and, within these proceedings, denies parties’ attempts to exploit wide-reaching discovery practices that are allowed under the Federal Rules of Civil Procedure.

The “routine discovery” allowed in IPR and CBM proceedings is narrowly directed to production of “any exhibit cited in a paper or testimony” and “relevant information that is inconsistent with a position advanced during the proceeding.”<sup>2</sup> A party is required to serve this routine discovery concurrently with the filing of documents or things.<sup>3</sup> Any request that falls outside of the scope of this routine discovery is considered “additional discovery” and “must be in the form of a motion, although the parties may agree to discovery amongst themselves.”<sup>4</sup> For IPRs, the moving party must show that the additional discovery is in the “interests of justice.”<sup>5</sup> For CBMs, the moving party only needs to show “good cause” for the additional discovery.<sup>6</sup>

In its first IPR additional discovery decision, the Board clearly defined the factors—referred to as the Garmin Factors—necessary for the movant to meet the “interests of justice” standard. The Garmin Factors are:

1. More than a possibility and mere allegation;

2. Litigation positions and underlying basis;
3. Ability to generate equivalent information by other means;
4. Easily understandable instructions; and
5. Requests not overly burdensome to answer.<sup>7</sup>

The first Garmin factor requires the moving party to possess “evidence tending to show beyond speculation that in fact something useful will be uncovered.”<sup>8</sup> “In the context of Factor (1), ‘useful’ means favorable in substantive value to a contention of the party moving for discovery.”<sup>9</sup> The Board denies many additional discovery motions because the moving party fails to identify pre-existing evidence showing that the additional discovery will be useful.

The next two Garmin factors classify discovery that will never meet the interests of justice standard. The second Garmin factor, “litigation positions and underlying basis,” prohibits “[a]sking for the other party’s litigation positions and the underlying basis for those positions.”<sup>10</sup> Thus, the common litigation practice of contention interrogatories is restricted in the IPR process. The third Garmin factor, “ability to generate equivalent information by other means,” prohibits asking for “[i]nformation a party can reasonably figure out or assemble without a discovery request.”<sup>11</sup>

The last two Garmin factors curb common “scorched Earth” litigation discovery practices. The fourth Garmin factor, “easily understandable instructions,” puts an end to complex instructions, while the fifth Garmin factor, “requests not overly burdensome to answer,” puts an end to overly broad requests.<sup>12</sup> Further, in the context of the fifth factor, the Board has construed “burdensome” very broadly. The burdens considered include financial burdens, burdens on human resources, and burdens on meeting the one-year statutory deadline for completion of the *Inter Partes* Review.<sup>13</sup> Combined, factors four and five ensure that the responding party may easily identify what is being requested and quickly respond.

The Board’s first CBM additional discovery decision occurred prior to it setting forth the Garmin factors.<sup>14</sup> However, in its second CBM additional discovery decision, the Board

modified the Garmin Factors for CBM’s good cause standard.

In modifying the Garmin Factors, the Board specified that “[t]he mere possibility of finding something useful, and mere allegation that something useful will be found, are insufficient to establish a good cause showing.”<sup>15</sup> The Board also held that the good cause standard bars requests for the other party’s litigation positions and underlying basis for these opinions, and information that can be reasonably generated without a discovery request.<sup>16</sup> And like the IPR additional discovery requests, CBM additional discovery requests must include easily understandable instructions and questions, and not be overly burdensome.<sup>17</sup>

Since the Garmin decision, the Board has rigorously compared the party’s additional discovery requests against these five factors. The result is that the Board has denied the majority of these requests after performing this comparison. As of September 7, 2014, the Board denied approximately 70% of all unique motions for additional discovery,<sup>18</sup> and denied or partially denied almost 80% of these motions. Understanding what additional discovery the Board allows offers a helpful road map for future requests.

Parties most frequently move for additional discovery regarding objective indicia of nonobviousness. Yet, to date, the Board has only granted one such motion. In *Schott Gemtron Corp. v. SSW Holding Co.*, the petitioner requested a document that the patent owner’s witness relied upon in preparing sales projections for a commercial success assertion.<sup>19</sup> The petitioner used the witness’s deposition testimony as pre-existing evidence that the witness relied upon information within the requested document.<sup>20</sup> The Board granted the request as the witness’s “testimony supports a conclusion that more than a mere possibility or mere speculation that something useful will be uncovered by producing the document” and “it is narrowly tailored to a single document, and therefore, would not be overly burdensome for Patent Owner to produce.”<sup>21</sup>

In most cases, however, the Board uses the first Garmin Factor to deny requests for additional discovery. In these cases, starting

with its very first IPR additional discovery decision, the Board determined that the motion lacked “a threshold amount of evidence or reasoning tending to show beyond speculation that the information to be discovered will be ‘useful’ to [the requester]” and denied the motion.<sup>22</sup>

Frequently, the missing evidence is the nexus between the claimed invention and the additional discovery requested.<sup>23</sup>

After secondary considerations of obviousness, parties most often request real parties-in-interest discovery. Parties are required to identify real parties-in-interest to: (1) assist members of the Board to identify potential conflicts; (2) assure proper application of the statutory estoppel provisions; (3) protect patent owners from harassment; (4) prevent parties from having a “second bite at the apple”; and (5) protect the integrity of the USPTO and the Federal courts.<sup>24</sup> Strategically, parties request real party-of-interest discovery to obtain evidence that will terminate the proceedings or estop a party in an underlying litigation.

The Board has only granted three motions for additional discovery regarding real parties-in-interest. In *Arris Group, Inc. v. C-Cation Techs., LLC*, the patent owner requested an indemnification agreement between petitioner and Comcast that could prove that the petition was time barred under 35 U.S.C. § 315(b).<sup>25</sup> The Board granted the motion because the patent owner “provided evidence showing: (1) the agreement exists; (2) Comcast made indemnification claims against Petitioner; (3) Petitioner had contractual rights with Comcast regarding exercising ‘sole control’ of the litigation; and (4) Petitioner resolved the indemnification claims with Comcast.”<sup>26</sup> While this evidence was not enough to show that petitioner and Comcast were privies, the Board held it was enough to grant production of the indemnification agreement between those companies.

In *Atlanta Gas Light Co. v. Bennett Regulator Guards, Inc.*, the Board granted-in-part a patent owner’s request for real party-in-interest discovery. Here, the patent owner pointed to an indemnification agreement and a declaration that disputed whether indemnification was owed under the agreement.<sup>27</sup> The Board granted additional discovery regarding the dispute identified in

the declaration, but denied discovery based on inferences that the patent owner made from what was omitted from the declaration.<sup>28</sup> “Such inferential allegations amount to a ‘mere possibility of finding something useful, and mere allegation that something useful will be found.’”<sup>29</sup>

Most recently in *Samsung Electronics Co. v. Black Hills Media, LLC*, the Board partially granted a patent owner’s request for real party-in-interest discovery based on a known indemnification provision in an agreement and evidence that the petitioner had previously denied receiving indemnification under the agreement, when in fact it did.<sup>30</sup> The Board also granted additional discovery because

**When Congress created the *Inter Partes* Review (“IPR”) and Covered Business Method (“CBM”) review procedures for challenging the validity of an issued patent, they intended for these processes to be quicker and more cost-effective than challenging patent validity in the district court system.**

the ITC previously found that the third party had an interest in whether the patent at issue was valid.<sup>31</sup> While the Board found some of the patent owner’s discovery requests to be overly broad, it granted limited discovery by narrowing the requests.<sup>32</sup>

While in *Arris Group, Atlanta Gas Light*, and *Samsung Electronics*, the Board granted additional discovery based on evidence of an indemnification agreement, evidence of such an agreement is not always sufficient. For example, in *Apple Inc. v. Achatas Reference Publ’g, Inc.*, the Board denied the patent owner additional discovery based on an

indemnification clause in petitioner’s software development kit agreement.<sup>33</sup> As explained in *Broadcom Corp. v. Telefonaktiebolaget LM Ericsson*, “[p]aying for trial expenses pursuant to indemnity normally does not establish privity or control.”<sup>34</sup> Nor does filing an amicus brief, filing an IPR petition, sharing experts, or minor participation in trial establish privity or control.<sup>35</sup>

The Board is more likely to grant additional discovery that is not related to secondary considerations or real parties-in-interest. To date, these other requests have been more narrowly tailored and fit cleanly within the Garmin Factor framework. For example, the Board granted a patent owner’s request for production of laboratory notebooks and documents containing the protocols and procedures followed in preparing compositions because the petitioner’s expert testified about these documents.<sup>36</sup> The Board also granted a petitioner’s request for email communications between the patent owner’s two experts that these experts relied upon in formulating their opinion.<sup>37</sup> As another example, the Board granted a patent owner’s request for a file wrapper of an abandoned patent application because the petitioner made statements during prosecution regarding the same prior art reference used in the IPR.<sup>38</sup>

For a party seeking additional discovery, the Board decisions provide some important practice tips to increase the likelihood that the additional discovery requested fits within the Garmin framework. First, the request must be very narrow and tailored—a movant should ask for exactly what is needed. Second, the requested discovery should be tied directly to something relied upon by an expert or declarant. Third, a movant should only ask for additional discovery that cannot be obtained through any other means. Fourth, a movant must present evidence that shows that (1) the additional discovery materials requested do exist and that (2) the materials will have a direct favorable bearing on his positions. Importantly, movants should fully utilize the depositions of the opposing party’s declarants and experts as a means to utilize these practice tips. Deposition testimony of the declarants and experts is frequently cited by the Board in their analysis and are important evidence in establishing the factual basis necessary to successfully meet the five Garmin factors.

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# Anticipating a Federal Trade Secret Law

By Joshua R. Rich

Unlike patents and copyrights, trade secrets have historically been protected primarily under state law rather than federal law. That long history may soon change, as bills to create a federal cause of action for trade secret misappropriation are advancing through both houses of the U.S. Congress. These bills would allow trade secret owners to bring a federal civil action for trade secret misappropriation as long as the trade secret “is related to a product or service used in, or intended for use in, interstate or foreign commerce.”<sup>1</sup> And, for the first time ever, the pending bills have the bipartisan support necessary for passage.

The federal trade secret bills would provide several powerful weapons currently missing from trade secret owners’ arsenals. First, they would create a truly uniform, nationwide law of trade secrets without the idiosyncrasies of the various states’ own trade secrets laws. Second, they would establish specific procedures for *ex parte* civil seizures, which are not found in the Uniform Trade Secrets Act (“UTSA”), which forms the basis for most states’ laws. Third, they would provide the benefits that generally arise out of litigation in federal courts, including broad discovery (both in terms of subject matter and geography) and the uniformity of the Federal Rules of Civil Procedure.

## The Current Landscape of Trade Secret Law

Currently, trade secret law is governed primarily by state law. In 47 of the states and the District of Columbia, that law is a version of the UTSA.<sup>2</sup> The UTSA allows a trade secret owner to bring a cause of action for misappropriation, generally because another party has acquired those trade secrets by improper means or has threatened their disclosure. Under the UTSA, a “trade secret” is defined as any information that derives potential or actual economic value from not being generally known to other persons who can benefit economically from its use, is not readily ascertainable by other persons who can benefit economically from its use through proper means, and is the subject of reasonable efforts to maintain its secrecy.<sup>3</sup> A trade secret is “misappropriated” when a person acquires a trade secret with the knowledge (or reason

to know) that the trade secret was obtained by improper means; or discloses or uses a trade secret that was obtained by improper means, derived from a person who obtained it by improper means, or obtained under terms of confidentiality.<sup>4</sup> In addition, a person may misappropriate a trade secret by disclosing or using the trade secret after learning that the trade secret was revealed by accident or mistake.<sup>5</sup> In this context, “‘improper means’ includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means.”<sup>6</sup>

Under the UTSA, potential remedies include injunctive relief against actual or threatened misappropriation, damages, and attorneys fees. The damages can include actual loss incurred by the trade secret owner and disgorgement of unjust enrichment by the misappropriating party or, alternatively, a reasonable royalty for the unauthorized disclosure or use of the trade secret. In the case of willful and malicious misappropriation, damages can be enhanced up to double the amount otherwise awarded. Attorneys’ fees can also be awarded for willful and malicious misappropriation, but are also available for a claim brought in bad faith or the bad faith bringing of or opposition to a motion to terminate an injunction. To obtain recovery under the UTSA, however, any claim must be brought within three years after the claim was, or could have been, discovered.

Notably, a claim under the UTSA can be brought only in state court, unless there is diversity of citizenship or a concurrent federal claim. Thus, service of process is limited, as is a party’s ability to obtain foreign or out-of-state evidence. In addition, the procedures of various state courts can limit the trade secret owner’s ability to pursue its claims, or may limit damages.

Currently, there is no federal law option for a private party seeking to protect its own trade secrets. That is, federal law, through the Economic Espionage Act (“EEA”), provides only for public enforcement of trade secret rights, and does so primarily through criminal punishment rather than civil enforcement. Unlike the UTSA, however, the EEA applies both throughout the U.S. and extraterritorially. In addition to criminalizing economic

espionage (that is, improper actions for the benefit of foreign governments or their agents), the EEA establishes a federal criminal offense for misappropriating trade secrets “that [are] related to a product or service used in or intended for use in interstate or foreign commerce.”<sup>7</sup> The act of misappropriation must be done with the intent to convert the trade secret to the economic benefit of a person other than the owner and with the intent or knowledge that the offense would injure the owner of the trade secret.

The acts that constitute misappropriation under the EEA are somewhat different from those under the UTSA, reflecting the difference between the criminal and civil context of the two laws. Misappropriation under the EEA includes: (1) stealing; appropriating, taking, or carrying away without authorization; concealing; or obtaining by fraud, artifice, or deception; (2) unauthorized copying, duplicating, sketching, drawing, photographing, downloading, uploading, altering, destroying, photocopying, replicating, transmitting, delivering, sending, mailing, communicating, or conveying; (3) receiving, buying, or possessing the trade secret with knowledge that it had been stolen or obtained without authorization; (4) any attempted misappropriation; and (5) conspiracy to misappropriate.<sup>8</sup>

The EEA also includes a provision for civil enforcement, but only by the U.S. Attorney General and only to obtain injunctive relief.<sup>9</sup> It is this civil enforcement provision that the pending bills would expand to provide for private enforcement of trade secret rights.

## Pending Federal Legislation

Although there are now several bills pending in both the House of Representatives and the Senate that would create a federal private right of action for trade secret misappropriation,<sup>10</sup> only two related bills, one in the House and one in the Senate, have attracted bipartisan support. The House bill, H.R. 5233, entitled the “Trade Secret Protection Act of 2014,” passed through the House Judiciary Committee on September 17, 2014, and currently sits on the House floor, awaiting Congress’s return after the November elections. The Senate Bill, S. 2267, entitled the “Defend Trade Secrets Act of 2014,” is currently before the Senate Judiciary Committee, which held hearings in May of this year.



Both bills are based in large part on the “Protecting American Trade Secrets and Innovation Act of 2012” (“PATsIA”), a Senate bill from the last Congress that never advanced out of committee. Indeed, Senator Coons, the primary sponsor of the current Senate bill, was one of the sponsors of that earlier draft. When the U.S. Intellectual Property Coordinator solicited comments on trade secret issues in 2013, PATsIA generally received support from entities such as the American Bar Association, the American Intellectual Property Association, the Intellectual Property Owners Association, and Ocean Tomo.<sup>11</sup>

Because both bills are based on PATsIA, they are fundamentally very similar. The bills both create a private cause of action for trade secret misappropriation based on the Commerce Clause of the U.S. Constitution. They also both create a process for obtaining an *ex parte* civil order for seizure of trade secret information. However, because they have a significant number of subtle differences (for example, the House bill adds a requirement that the executive branch report to Congress on thefts of trade secrets abroad), the House and Senate will have to act swiftly to reconcile the two bills in the short time remaining for the 113<sup>th</sup> Congress.

In creating a private cause of action, the two bills use the same definition of a trade secret, the same definition of misappropriation, and the same definition of improper means. However, the bills define the terms slightly differently from the definitions in the UTSA.

First, the bills use the EEA’s definition of “trade secret.” Thus, trade secrets under the pending legislation are limited to secrets “related to a product or service used in or intended for use in interstate or foreign commerce.” This is because the bills are predicated on the U.S. Constitution’s Commerce Clause, which permits the federal government to regulate commerce between the States or with foreign countries, but does not allow regulation of strictly intrastate matters.

Second, the bills define “misappropriation” as any of several acts, including: (1) “acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means;” or (2) disclosure or use of a trade secret without consent by a person who (i) used improper means to acquire knowledge of the trade secret, (ii) at the time of disclosure or

use, knew or had reason to know that the trade secret was derived from or through a person who had used improper means to acquire it or a person who had a duty to maintain the secrecy of the trade secret, or was acquired under circumstances giving rise to a duty to maintain the secrecy, or (iii), before a material change of position of the person, knew or had reason to know that the trade secret was a trade secret and that knowledge of the trade secret had been acquired by accident or mistake.

Third, “improper means” under the two bills “includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means,” but expressly excludes reverse engineering or independent

**The federal trade secret bills would provide several powerful weapons currently missing from trade secret owners’ arsenals.**

derivation. Many states have recognized such exclusions in one form or another, but the UTSA does not spell them out explicitly, as do the pending bills.

Both bills also provide for the same remedies for trade secret misappropriation. They allow a court to grant an injunction to prevent actual or threatened misappropriation (including by requiring affirmative actions to be taken to protect the trade secret) or, if an injunction would be inequitable, condition use of the trade secret on the payment of a reasonable royalty. In terms of damages, the bills allow recovery of damages for actual loss and unjust enrichment (so long as there is no double recovery) or, instead, a reasonable royalty. If the misappropriation is willful and malicious, the bills (like the UTSA) allow for the recovery of enhanced damages, although (unlike the UTSA) the damages can be trebled, not just doubled. Attorney’s fees are available under the same terms they are available under the UTSA. Importantly, the statute of limitations under the bills is five years, not the three years under the UTSA.

The two bills take slightly different approaches to the standards for an *ex parte* civil seizure. They both require an affidavit or verified complaint in support, and reasonably particular pleading requirements regarding the trade secrets and the material to be seized if a court is to enter such an order for the preservation of evidence or prevention of propagation or dissemination of the trade secret. However, the Senate bill goes further in allowing seizure of property used to commit or facilitate commission of economic espionage. The standards required for the entry of a seizure order are addressed in different ways: in the House bill, they are expressly spelled out; in the Senate bill, they are imported from the Lanham Trademark Act (specifically, 15 U.S.C. § 1116(d)(2)-(11)).

One substantial difference between the bills was added to the House bill in Judiciary Committee proceedings. Specifically, the House bill now requires the Attorney General to submit a public report to Congress within one year of the bill’s enactment (and every two years thereafter) on overseas trade secret misappropriation, including by foreign governments, instrumentalities, and agents. It also requires the Attorney General to make recommendations for legislative and executive actions that could reduce trade secret misappropriation outside the U.S.

Another significant difference between the bills is how they harmonize with other provisions of the EEA. The House bill retains the Attorney General’s cause of action for civil enforcement of the EEA, the Senate bill gets rid of it. The Senate bill also allows a private party to assert a claim for economic espionage. Those differences are theoretically important because preservation of the public civil suit provision (found in the EEA at 18 USC § 1836(a)) would allow the federal government to pursue a claim when a private company is unable to do so, but the evidence is not so compelling as to justify a criminal conviction. The private right of action based on economic espionage could also be important, as it would allow private parties to proceed against foreign governments, potentially influencing foreign relations.

## Conclusion

Although there is no guarantee that further action will be taken during this Congressional term, great progress toward the enactment of a federal cause of action for trade secret misappropriation has, and is, being made.

*(continued on page 13)*

# The Art of Prior Art Searching

By Alexander D. Georges and Joseph A. Herndon

Prior to filing a patent application at the United States Patent and Trademark Office (“USPTO”), an applicant seeking patent protection for an invention should consider conducting a prior art search. Also known as a patentability search, a prior art search involves discovering and examining art, such as issued patents, published patent applications, and other published documents, that can affect the potential to obtain a patent on the invention. More exhaustive prior art searches may also include discovering and examining any prior uses or prior sales of technology related to the invention.

Although completing a prior art search is not required for filing a patent application, search results often provide the draftsman of the patent application with valuable insight regarding the field of the invention. This insight may be used to develop more focused application claims, which may lead to more efficient prosecution of the application. Additionally, conducting a search may save an applicant a considerable amount of time and money if the results show that the invention would likely not satisfy the novelty or obviousness requirements set forth in 35 U.S.C. § 102 and § 103, respectively. Other beneficial reasons exist for performing a prior art search, including the potential to limit the impact of third party challenges by disclosing, during prosecution, art discovered within the prior art search.

## Duty to Disclose

For a patent application, any material art found during a prior art search, in addition to any material art previously known, is required to be disclosed to the USPTO during prosecution of that application. An applicant is required to prosecute patent applications before the USPTO with candor, good faith, and honesty, and this duty includes disclosing material results of a prior art search.<sup>1</sup> As set forth in 37 C.F.R. § 1.56(a), “...[e]ach individual associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the Office, which includes a duty to disclose ... all material known to the individual to be material to patentability.” Generally, all art found from a search is likely to be considered material, however, some

references may be outliers that are not closely related to the invention and need not be submitted to the USPTO. It is common practice, however, to submit any prior art search results out of an abundance of caution to satisfy the duty to disclose.

Individuals subject to the duty to disclose include not only each inventor and any attorney, patent agent, or foreign agent involved in preparing or prosecuting the patent application, but also extends to any person who is “substantively involved in the preparation or prosecution of the application and who is

**Although completing a prior art search is not required for filing a patent application, search results often provide the draftsman of the patent application with valuable insight regarding the field of the invention.**

associated with the inventor, with the assignee, or with anyone to whom there is an obligation to assign the application.”<sup>2</sup> In addition, the duty to disclose continues throughout the duration of prosecution and is “not limited to information which would render the claims unpatentable, but extends to any information ‘where there is a substantial likelihood that a reasonable examiner would consider it important in deciding whether to allow the application to issue as a patent.’”<sup>3</sup>

Despite the potential benefits associated with performing a prior art search, the duty to disclose can cause some applicants to avoid performing a prior art search prior to filing a patent application. This is because a patent may be rendered unenforceable if a court finds that an individual associated with the preparation and prosecution of the

patent acted with intent to mislead or deceive the examiner by failing to disclose material information or submitting materially false information to the PTO during prosecution.<sup>4</sup> Thus, an applicant may be concerned that such a failure to disclose could result in one or more corresponding patents to be rendered unenforceable for inequitable conduct. Since there is no duty to search, some applicants avoid searches altogether to reduce the risk of inequitable conduct.

## Benefits of Inventors Performing the Search

The duty to disclose can complicate the decision of who should perform a prior art search. One option is for the inventor to perform the search, which can provide various benefits. For instance, as an expert in the field, the inventor is more likely to understand differences between related technology and the invention being searched. Further, the inventor will more easily understand technical materials. The inventor is also likely to know which publications may include the most closely related subject matter to that of the invention, and thus, where to look for relevant art. As such, some feel that inventors may be best suited to search for prior art.

In addition, requesting inventors to perform prior art searches helps to keep inventors up to date on competitor’s technology and activity in the field. Technology companies, for example, often release similar products, and having any technical advantage can prove very beneficial in terms of market share. Any and all information that an inventor can obtain of their competitors may be useful for creating such advantages.

## Drawbacks of Inventors Performing the Search

However, discovering related technology may also influence the inventor in unwanted ways, and thus, there can be drawbacks of inventors performing the search. For example, information learned during a prior art search may be used or incorporated into future research and developments of the inventor, whether on purpose or indirectly, leading away from independent designs of the inventor. Generally, it is desirable for inventors to independently develop new technology rather than derive, or worse copy, designs from

competitors. The inventor may not understand the possible legal consequences that may arise from copying aspects of competitor technology discovered during the search.

A derivation or copying of a competitor's technology can lead to extreme penalties if a party is found to willfully infringe a competitor's patents. In addition to the standard damages awarded for infringing the competitor's patents, willful patent infringement can result in punitive damages as well. These punitive damages may be awarded when a party is engaged in deliberate copying, concealing infringing activity, or infringement where the party knows that it is infringing or knows it has only frivolous defenses.<sup>5</sup> A party found to have willfully infringed a patent can be ordered to pay up to treble damages if the owner of the patent can "show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent."<sup>6</sup> Knowledge of patents discovered and examined during a prior art search by inventors, and continuing alleged infringement activity in view of such knowledge, can be used by patent owners as evidence to support allegations of willful infringement.

Other drawbacks for inventor-performed prior art searches exist as well. An inventor who learns of similar patented technology owned by competitors may attempt to design around such technology. Although done with good intent, a lack of legal training may result in implementing undesired design around techniques, or simply putting in place unneeded changes to existing designs.

Furthermore, an inventor may not fully understand the duty to disclose and may fail to properly meet the requirements set forth in 37 C.F.R. § 1.56. For instance, the inventor may discover material prior art, but not disclose it due to their belief that it is not close enough to their invention.<sup>7</sup> Additionally, the inventor may also underperform a prior art search due to a lack of experience (e.g., limiting the search to particular terms), or may not be able to make objective judgments as to whether reasonably close prior art renders filing of a patent application to the invention undesirable. An impartial searcher may provide a more objective judgment as to art that is material to patentability versus art that may be unrelated.

Lastly, it may simply be a better use of the inventor's time to focus on their role of

researching and developing new products, instead of on performing prior searches.

## Who Else Could Perform the Search?

An applicant may prefer to have internal legal professionals perform the prior art search, rather than an inventor. This way, the duty to disclose is easier to follow, and other possible risks of notice and knowledge of prior art to the inventors may be limited. As managers of the intellectual property of the company, in-house attorneys of the applicant may use prior art searches to track potentially relevant art of competitors and direct the applicant's patent portfolio according to discovered patents of competitors. At the same time, a trained attorney with legal experience is more likely than an inventor to know when and how to disclose search results properly to the USPTO.

As another possible option that limits the exposure of prior art to an inventor or in-house attorney, an applicant may rely on a third party, such as outside counsel or a specialized patent search firm, to perform the prior art search. By doing so, the applicant can limit its exposure to patents that are reviewed during searching.

A patent search firm brings experience and skills, including specialized search engines and patent data, that may lead to discovery of prior art that an applicant may otherwise fail to find. Additionally, searchers within a search firm often have experience searching in the particular field of an invention and may use a variety of terms that describe the desired invention to prevent missing possible art that may prove troublesome during prosecution. The search firm may then provide the search results for consideration by the patent draftsman (e.g., outside counsel) or other parties of the applicant's choosing. Alternatively, outside counsel may directly perform the search and consider the results to develop a focused strategy for preparing and prosecuting the patent application.

Some drawbacks of hiring a third party to perform the search include the additional cost and, in some instances, the search results may not reflect aspects of the invention for which an inventor or in-house attorney may have specialized knowledge. Thus, it is important that an inventor or patent draftsman provide a full explanation of the invention that enables a third party to properly focus its search.

## Conclusion

With these considerations in mind, choices of whether to perform a prior art search, and who should perform the search, can be more complicated than initially presumed. If a search is performed, it should be done in a way that balances patent application and filing decisions with the potential risks of failure to meet the duty to disclose.

## Endnotes

- <sup>1</sup> See MPEP § 2001.06.
- <sup>2</sup> MPEP § 2001.01.
- <sup>3</sup> *McKesson Info. Solutions, Inc. v. Bridge Med., Inc.*, 487 F.3d 897, 922-23 (Fed. Cir. 2007).
- <sup>4</sup> See *Digital Control Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1313 (Fed. Cir. 2006).
- <sup>5</sup> *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1348-49 (Fed. Cir. 2004) (en banc) (Dyk, J., concurring-in-part and dissenting-in-part).
- <sup>6</sup> *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007).
- <sup>7</sup> See *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1237-38 (Fed. Cir. 2003) (holding that inventors engaged in inequitable conduct by failing to disclose own article relevant to enablement of the patent application). In another example, an inventor may discover art only related to one aspect of the invention, and believe that this art is not relevant because it does not relate to the invention as a whole. However, an examiner may find this art relevant if it can be combined with other art to in an assertion of obviousness.

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# Trademark Cases Pending Before the U.S. Supreme Court

By Sydney R. Kokjohn

In December, the Supreme Court of the United States will hear oral arguments on two trademark cases: *B&B Hardware, Inc. v. Hargis Industries, Inc.* and *Hana Financial v. Hana Bank*.<sup>1</sup> These cases address the issues of whether a preclusive effect should be given to U.S. Trademark Trial and Appeal Board (TTAB) decisions on likelihood of confusion and whether trademark tacking is an issue of fact or an issue of law, respectively.

## *B&B Hardware, Inc. v. Hargis Industries, Inc.*<sup>2</sup>

In this case, Petitioner B&B Hardware (B&B) and Respondent Hargis both manufacture sealing fasteners.<sup>3</sup> B&B owns the trademark registration for the mark "SEALTIGHT."<sup>4</sup> Hargis used and sought to register the mark "SEALTITE."<sup>5</sup> B&B filed an opposition to Hargis's application with the TTAB and also filed an initial infringement action in the district court (separate from the infringement action currently pending before the Supreme Court).<sup>6</sup> The initial infringement action resulted in judgment for Hargis, but the district court did not decide the issue of likelihood of confusion.<sup>7</sup> Instead, it based its decision on a finding that B&B's mark was merely descriptive.<sup>8</sup>

During discovery in the opposition proceeding, which was suspended during the initial infringement action, Hargis admitted that there had been incidents of actual customer confusion between its SEALTIGHT fasteners and B&B's SEALTITE fasteners. B&B then commenced the current infringement action. The TTAB action proceeded and the TTAB sustained B&B's opposition and denied Hargis's registration of the SEALTITE mark, concluding that the marks were "substantially identical" and "used on closely related products," thus, likely to cause confusion.

In the infringement action, both the district court and the Eighth Circuit refused to accord a preclusive effect to the TTAB's decision on likelihood of confusion.<sup>9</sup> At the district court, B&B tried unsuccessfully to obtain summary judgment of likelihood of

confusion and to have the TTAB decision introduced into evidence.<sup>10</sup> The jury subsequently found no infringement.<sup>11</sup> On appeal, the Eighth Circuit panel majority affirmed, refusing to apply issue preclusion because "the same likelihood-of-confusion issues were not decided by the TTAB as those brought in the action before the district court."<sup>12</sup>

**These cases address important questions, not only for trademark litigators, but also for practitioners advising clients about their trademark rights in general.**

B&B filed a Petition for a Writ of Certiorari on September 18, 2013, which the Supreme Court granted on July 1, 2014.<sup>13</sup>

The questions presented are as follows:

1. Whether the Board's finding of a likelihood of confusion precludes Hargis from relitigating that issue in infringement litigation, in which likelihood of confusion is an element.
2. Whether, if issue preclusion does not apply, the district court was obliged to defer to the Board's finding of a likelihood of confusion absent strong evidence to rebut it.<sup>14</sup>

The American Intellectual Property Law Association (AIPLA), the Intellectual Property Law Association of Chicago (IPLAC), and the International Trademark Association (INTA) each filed a brief of amicus curiae in support of neither party.<sup>15</sup> The United States filed a brief of amicus curiae in support of B&B.<sup>16</sup> AIPLA requested that the Court "clarify that a TTAB decision on likelihood of confusion can, in

appropriate and narrow circumstances, have a preclusive effect."<sup>17</sup> IPLAC requested that the Court be aware that "some [but not all] TTAB cases consider real world usage of trademarks, and TTAB cases are conducted routinely as typical federal litigation cases" but to consider the Seventh Amendment issue that arises because the TTAB does not have juries.<sup>18</sup> INTA requested that the Court rule that:

(1) TTAB determinations on the likelihood of confusion do not have preclusive effect in subsequent civil court proceedings; and (2) district courts should determine, on a case-by-case basis, whether, and to what extent, TTAB's determinations should be afforded deference, but such deference should be limited to fact issues that were identical and fully litigated and should not prevent a party from offering other evidence and arguments that may nevertheless compel a different result.<sup>19</sup>

## *Hana Financial, Inc. v. Hana Bank*<sup>20</sup>

This case addresses the issue of whether the existence of trademark tacking should be decided by a jury or a judge. Trademark rights are based on use; a party to first use a mark is said to have "priority" and may sue later users for trademark infringement.<sup>21</sup> The doctrine of trademark tacking allows a party to claim an earlier priority date in narrow circumstances where the marks are "legal equivalents."<sup>22</sup>

In this case, Petitioner Hana Financial owns a federally registered trademark for "HANA FINANCIAL."<sup>23</sup> Hana Financial sued Respondent Hana Bank for its use of the mark "HANA BANK."<sup>24</sup> Although Hana Bank started using its mark after Hana Financial first used its mark, Hana Bank claimed that it actually had priority based on the doctrine of trademark tacking.<sup>25</sup> The district court submitted the question of whether trademark tacking applied to the jury, which returned a verdict in favor of Hana Bank.<sup>26</sup> The Ninth Circuit affirmed.<sup>27</sup>

Hana Financial filed a Petition for a Writ of Certiorari on April 7, 2014, which the Supreme Court granted on June 23, 2014.<sup>28</sup> Hana Financial noted that the circuit courts are split on whether trademark tacking is a question



of fact to be decided by a jury or a question of law to be decided by a judge and set forth the question presented as “Whether the jury or the court determines whether use of an older mark may be tacked to a newer one?”<sup>29</sup>

AIPLA also filed a brief of amicus curiae in support of neither party in this case, requesting that the Court decide that trademark tacking be treated as a question of fact for a jury.<sup>30</sup>

## Conclusion

These cases address important questions, not only for trademark litigators, but also for practitioners advising clients about their trademark rights in general. *Snippets* will report on the Supreme Court’s rulings once they are issued.

## Endnotes

- 1 SCOTUSblog, October Term 2014, <http://www.scotusblog.com/case-files/terms/ot2014/> (last visited Oct. 24, 2014).
- 2 Oral argument scheduled for December 2, 2014.
- 3 See *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 569 F.3d 383, 385 (8th Cir. 2009), cert. granted, 82 U.S.L.W. 3195 (U.S. Jul. 1, 2014) (No. 13-352).
- 4 See *id.*
- 5 See *id.*
- 6 Petition for Writ of Certiorari at 5, *B&B Hardware* (No. 13-352).
- 7 *Id.*
- 8 *Id.*
- 9 See *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 716 F.3d 1020, 1026 (8th Cir. 2013); *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 736 F. Supp. 2d 1212, 1217 (E.D. Ark. 2010).
- 10 *B&B Hardware*, 736 F. Supp. 2d at 1217.
- 11 *Id.* at 1214.
- 12 *B&B Hardware*, 716 F.3d at 1024.
- 13 SCOTUSblog, *B&B Hardware, Inc. v. Hargis Industries, Inc.*, <http://www.scotusblog.com/case-files/cases/bb-hardware-inc-v-hargis-industries-inc/> (last visited Oct. 24, 2014).
- 14 Petition for Writ of Certiorari at i, *B&B Hardware* (No. 13-352).
- 15 See SCOTUSblog, *B&B Hardware, Inc. v. Hargis Industries, Inc.*, <http://www.scotusblog.com/case-files/cases/bb-hardware-inc-v-hargis-industries-inc/> (last visited Oct. 24, 2014).
- 16 *Id.*
- 17 Brief of Amicus Curiae American Intellectual Property Law Association in Support of Neither Party, at 17, *B&B Hardware* (No. 13-352).
- 18 Brief of the Intellectual Property Law Association of Chicago as Amicus Curiae in Support of Neither Petitioner nor Respondents, at 11, 13, *B&B Hardware* (No. 13-352).
- 19 Brief of Amicus Curiae the International Trademark Association in Support of Neither Party, at 33, *B&B Hardware* (No. 13-352).
- 20 Oral argument scheduled for December 3, 2014.
- 21 See *Hana Fin., Inc. v. Hana Bank*, 735 F.3d 1158, 1163-64 (9th Cir. 2013).
- 22 *Van Dyne-Crotty, Inc. v. Wear-Guard Corp.*, 926 F.2d 1156, 1159 (Fed. Cir. 1991).
- 23 *Hana Fin.*, 735 F.3d at 1161.
- 24 *Id.* at 1162.
- 25 See *id.* at 1162-63.
- 26 *Hana Fin., Inc. v. Hana Bank*, No. CV 07-1534, 2011 WL 2581458, at \*1 (C.D. Cal. June 29, 2011).
- 27 *Hana Fin.*, 735 F.3d at 1168.
- 28 See SCOTUSblog, *Hana Financial, Inc. v. Hana Bank*, <http://www.scotusblog.com/case-files/cases/hana-financial-inc-v-hana-bank/> (last visited Oct. 24, 2014).
- 29 Petition for Writ of Certiorari at i, *Hana Fin.* (No. 13-1211).
- 30 Brief of Amicus Curiae the American Intellectual Property Law Association in Support of Neither Party, at 13, *Hana Fin.* (No. 13-1211).

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(continued from page 7)

## Endnotes

- 1 See H.R. Rep. No. 112-98 at 45-48 (2011).
- 2 Office Patent Trial Practice Guide, 77 Fed. Reg. 48761 (Aug. 14, 2012) (codified at 37 C.F.R. pt. 42) [hereinafter *Practice Guide*].
- 3 37 C.F.R. § 42.51(b)(1).
- 4 *Id.*, see also 35 U.S.C. § 316(a)(5) (stating that, aside from depositions, discovery shall be limited to “what is otherwise necessary in the interest of justice”); 37 C.F.R. § 42.51(b)(2) (reiterating the “interests of justice” standard that applies to additional discovery in the absence of the parties’ agreement).
- 5 *Id.*
- 6 See *Practice Guide*, supra note 2, at 48761; 37 C.F.R. § 42.224(a).
- 7 *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2012-00001, 2013 WL 2023626, at \*4 (P.T.A.B. Mar. 5, 2013).
- 8 *Id.*
- 9 *Id.*
- 10 *Id.*
- 11 *Id.*
- 12 *Id.*
- 13 See *id.*
- 14 *SAP Am., Inc. v. Versata Dev. Group, Inc.*, No. CBM2012-00001, Paper 24 at 3-5 (P.T.A.B. Nov. 15, 2012). Without specifying its rationale, the Board granted-in-part a motion requiring the petitioner to produce five documents produced during a related district court litigation, but not documents relating to “R/3” documentation.
- 15 *Bloomberg Int’l v. Markets-Alert Pty Ltd.*, No. CBM2013-00005 (JYC), 2013 WL 5947684, at \*3 (P.T.A.B. May 29, 2013).
- 16 *Id.*
- 17 *Id.*
- 18 It is common for the Board to issue a single ruling for multiple proceedings. For example, the Board makes common discovery rulings for IPR2013-00043 to IPR2013-00050 and IPR2013-00052 to IPR2013-00053. If counted separately, the percentage of denials increases.
- 19 No. IPR2013-00358, Paper 78 at 2 (P.T.A.B. May 16, 2014).
- 20 *Id.* at 3-4.
- 21 *Id.* at 4.
- 22 *Garmin*, No. IPR2012-00001, 2013 WL 2023626, at \*5.
- 23 *Id.*, see also *Microsoft Corp. v. Proxycann, Inc.*, No. IPR2012-00026 (TLG), 2013 WL 6327751, at \*2-3 (P.T.A.B. Mar. 8, 2013) (commercial success); *Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, No. IPR2013-00369, Paper 36 at 4 (P.T.A.B. Feb. 5, 2014) (copying).
- 24 *Practice Guide*, supra note 2, at 48759.
- 25 No. IPR2014-00746, Paper 15 at 2 (P.T.A.B. Jul. 24, 2014).
- 26 *Id.* at 4 (footnotes omitted).
- 27 No. IPR2013-00453, Paper 40 at 5-6 (P.T.A.B. Apr. 23, 2014).
- 28 *Id.* at 7-9.
- 29 *Id.* at 9.
- 30 No. IPR2014-00735, Paper 17 at 4, 7 (P.T.A.B. Oct. 2, 2014).
- 31 *Id.* at 6-7.

(continued from page 9)

Momentum is likely to continue to build, and a cause of action allowing for all of the benefits of federal court litigation is likely to result in the near future.

## Endnotes

- 1 H.R. 5233, § 2; S. 2267, § 2.
- 2 The other three—Massachusetts, New York, and North Carolina—have not enacted the UTSA, although each does provide some form of trade-secret protection. We focus only on the UTSA here.
- 3 UTSA § 1(4).
- 4 *Id.* at § 1(2).
- 5 *Id.*
- 6 *Id.* at § 1(1).
- 7 18 U.S.C. § 1832(a).
- 8 *Id.*
- 9 18 U.S.C. § 1836.

- 32 *Id.* at 7-10.
- 33 Nos. IPR-2013-00080/2013-00081, 2013 WL 6514049, at \*2-3 (P.T.A.B. Apr. 3, 2013).
- 34 No. IPR2013-00601, Paper 23 at 11 (P.T.A.B. Jan. 24, 2014).
- 35 *Id.* at 7, 11-13.
- 36 Corning Inc. v. DSM IP Assets B.V., No. IPR2013-00043, 2013 WL 5970159 at 2-3 (P.T.A.B. June 21, 2013).
- 37 Apple Inc. v. Achates Reference Publ’g, Inc., No. IPR2013-00080, Paper 58 at 9 (P.T.A.B. Jan. 31, 2014).
- 38 Int’l Sec. Exch., LLC v. Chi. Bd. Options Exch., Inc., No. IPR2014-00097, Paper 20 at 2-3 (P.T.A.B. Jul. 14, 2014).

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- 10 For information on pending bills other than the two discussed in this article, please see: <http://www.mbhb.com/events/xpqEventDetail.aspx?xpST=EventDetail&event=120>.
- 11 For a presentation providing additional detail on these comments, please see: <http://www.mbhb.com/events/xpqEventDetail.aspx?xpST=EventDetail&event=83>.

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